

CITY OF TABOR
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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City of Tabor

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Denise Hammer	Mayor	Jan 2012
Milton Trabal	Council Member	Jan 2014
Randy Wirth	Council Member	Jan 2014
Clint Wright	Council Member	Jan 2012
Dolores Moles	Council Member	Jan 2014
Ross Silcock	Council Member	Jan 2012
Pat Weldon	City Clerk	Indefinite
Matt Woods	Attorney	Indefinite
(After January 2012)		
Denise Hammer	Mayor	Jan 2014
Milton Trabal	Council Member	Jan 2014
Randy Wirth	Council Member	Jan 2014
Gean Clapper	Council Member	Jan 2016
Dolores Moles	Council Member	Jan 2014
Ross Silcock	Council Member	Jan 2016
Pat Weldon	City Clerk	Indefinite
Matt Woods	Attorney	Indefinite



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

August 28, 2012

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tabor, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Tabor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tabor as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 28, 2012 on our consideration of the City of Tabor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Tabor's basic financial statements. The supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Tabor's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 25 through 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Schroeder & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tabor provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 10%, or approximately \$47,000, fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$53,000, road use taxes increased approximately \$7,000 and miscellaneous receipts decreased approximately \$30,000.
- Total disbursements increased approximately \$114,000.
- The City's total cash basis net assets decreased 15.1%, in fiscal year 2012, or approximately \$51,800. Of this amount the assets of the governmental activities increased approximately \$1,300 and assets of the business type decreased approximately \$53,100.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with a companion of the City's budget for the year.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information helps answer this question.

The Statement of Activities and Net Assets present the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, general government, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and landfill. These activities are financed primarily by user charges.

FUND FINANCIAL STATEMENTS

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include:
 - a) the General Fund
 - b) the Special Revenue Funds such as Road Use Tax and Local Option Tax

The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Government fund information helps determine whether there are more or fewer financial resources that can be spent in the near to finance the City's programs. The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and landfill funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased slightly from a year ago. The analysis that follows focuses on cash balances for governmental activities.

City of Tabor		
Statement of Cash Receipts and Disbursements – Government Funds		
	Year Ending	
	06/30/2012	06/30/2011
Receipts		
Property tax	\$ 159,887	\$ 106,165
Other city tax	80,502	78,033
Licenses and permits	175	1,149
Use of money and property	3,720	4,786
Intergovernmental	131,114	109,857
Charges for service	115,745	110,018
Miscellaneous	25,046	58,858
	<u>516,189</u>	<u>468,866</u>
Disbursements		
Operating:		
Public safety	250,401	190,307
Public works	164,433	126,011
Culture and recreation	63,268	55,399
General government	76,832	69,131
Total disbursements	<u>554,934</u>	<u>440,848</u>
Excess (deficiency) of receipts over (under) disbursements	(38,745)	28,018
Other financing sources (uses):		
Operating transfers in	118,118	77,196
Operating transfers out	(111,388)	77,196
	<u>6,730</u>	<u>-</u>
Net change in cash balances	(32,015)	28,018
Cash balances beginning of year	<u>219,836</u>	<u>191,818</u>
Cash balances end of year	<u>\$ 187,821</u>	<u>219,836</u>

City of Tabor
Statement of Cash Receipts and Disbursements - Proprietary Funds

	Year Ending 6/30/2012	Year Ending 6/30/2011
Operating receipts:		
Charges for service	\$ 289,789	\$ 290,567
Miscellaneous	6,475	-
Total operating receipts	296,264	290,567
Operating disbursements:		
Business type activities	244,121	345,483
Total operating disbursements	244,121	345,483
Excess (deficiency) of operating receipts over (under) operating disbursements	52,143	(54,916)
Non-operating receipts (disbursements):		
Use of money and property	266	150
Debt service	(65,503)	-
Total non operating receipts (disbursements)	(65,237)	150
Excess (deficiency) of receipts over (under) disbursements	(13,094)	(54,766)
Operating transfers in (out)	(6,730)	-
Net change in cash balances	(19,824)	(54,766)
Cash balances beginning of year	123,727	178,493
Cash balances end of year	<u>\$ 103,903</u>	<u>\$ 123,727</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The General Fund cash balance decreased approximately \$24,800 from the prior year to \$62,563.

The Road Use Tax Fund cash balance decreased approximately \$7,200 to \$14,993 during the fiscal year. The city intends to use this money to upgrade the condition of all City roads.

The total cash basis fund balance is approximately \$292,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance was a deficit balance of \$52,301. The Sewer Fund has a cash balance of \$140,967, a decrease of approximately \$176,000 from the prior year primarily due to the transfer of funds to close the WIFI Fund. The Sewer Fund includes Reserve and Replacement SRF loan accounts totaling \$134,500 as well as a sewer sinking account of \$6,467. The Landfill Fund ended the year with a cash balance of \$15,237. The WIFI services for the city were discontinued during the year, resulting in an ending WIFI Fund cash balance of \$0.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment resulted in an increase in spending for public safety for the purchase of a new ambulance.

DEBT ADMINISTRATION

At June 30, 2012, the City of Tabor owes \$188,000 SRF loan balance scheduled to be paid off over the next 3 years or in 2015 fiscal year by sewer revenue.

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 % of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$0 is significantly below its constitutional debt limit of \$1,776,189.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Tabor's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index Increase. The State's CPI increase was 1.8% for fiscal year 2012 compared with the national rate of 1.7%. Inflation has been modest here due to watchful spending by the City Council.

These indicators were taken into account when adopting the budget for fiscal year 2013. Property tax increased assessed evaluations and the lowering of the City's tax base to 8.918 cents per thousand will help hold our inflation in check.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pat Weldon, City Clerk, 626 Main, Tabor, Iowa.

Basic Financial Statements

City of Tabor
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants Contributions and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 250,401	111,458	-
Public works	164,433	4,286	98,645
Culture and recreation	63,268	-	14,687
General government	76,832	-	-
Total governmental activities	554,934	115,744	113,332
Business type activities:			
Water	84,854	90,673	-
Sewer	104,979	118,504	-
Landfill	13,129	13,383	-
WIFI	106,562	67,229	-
Total business type activities	309,524	289,789	-
Total	\$ 864,558	405,533	113,332
General Receipts:			
Property tax levied for:			
General purposes			
Local option sales tax			
Grants and contributions restricted to specific purpose			
Unrestricted interest on investments			
Rent			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Nonspendable:			
Library endowment			
Expendable:			
Streets			
Debt service			
Unrestricted			
Total cash basis net assets			

See notes to financial statements

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes In Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(138,943)	-	(138,943)
-	(61,502)	-	(61,502)
-	(48,581)	-	(48,581)
-	(76,832)	-	(76,832)
-	(325,858)	-	(325,858)
-	-	5,719	5,719
-	-	13,525	13,525
-	-	254	254
-	-	(39,333)	(39,333)
-	-	(19,835)	(19,835)
-	(325,858)	(19,835)	(345,693)
\$	162,271	-	162,271
	78,118	-	78,118
	25,932	-	25,932
	1,130	266	1,396
	2,590	-	2,590
	17,072	6,475	23,547
	6,730	(6,730)	-
	293,843	11	293,854
	(32,015)	(19,824)	(51,839)
	219,836	123,727	343,563
\$	187,821	103,903	291,724
\$	110,265	-	110,265
	14,993	-	14,993
	-	140,967	140,967
	62,563	(37,064)	25,499
\$	187,821	103,903	291,724

City of Tabor
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2012

		Special Revenue	
	General	Road Use	Local Option Sales Tax
Receipts			
Property tax	\$ 159,887	-	-
Other city tax	2,384	-	78,118
Licenses and permits	175	-	-
Use of money and property	3,720	-	-
Intergovernmental	32,469	98,645	-
Charges for service	115,745	-	-
Miscellaneous	25,046	-	-
Total receipts	339,426	98,645	78,118
Disbursements			
Operating:			
Public safety	250,401	-	-
Public works	58,590	105,843	-
Culture and recreation	63,268	-	-
General government	76,832	-	-
Total disbursements	449,091	105,843	-
Excess (deficiency) of receipts over (under) disbursements	(109,665)	(7,198)	78,118
Other financing sources (uses):			
Operating transfers in	118,118	-	-
Operating transfers out	(33,270)	-	(78,118)
Total other financing sources (uses)	84,848	-	(78,118)
Net change in cash balances	(24,817)	(7,198)	-
Cash balances beginning of year	87,380	22,191	-
Cash balances end of year	\$ 62,563	14,993	-
Cash Basis Fund Balances			
Nonspendable - Library endowment	\$ -	-	-
Restricted for:			
Streets	-	14,993	-
Unassigned	62,563	-	-
Total cash basis fund balances	\$ 62,563	14,993	-

See notes to financial statements

<u>Permanent Fund</u>	
<u>Library Endowment</u>	<u>Total</u>
-	159,887
-	80,502
-	175
-	3,720
-	131,114
-	115,745
-	25,046
-	<u>516,189</u>
-	250,401
-	164,433
-	63,268
-	76,832
-	<u>554,934</u>
-	(38,745)
-	118,118
-	<u>(111,388)</u>
-	6,730
-	(32,015)
110,265	<u>219,836</u>
110,265	<u>187,821</u>
110,265	110,265
-	14,993
-	62,563
110,265	<u>187,821</u>

City of Tabor
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2012

	Enterprise		
	Water	Sewer	Landfill
Operating receipts:			
Charges for service	\$ 90,673	118,504	13,383
Miscellaneous	6,475	-	-
Total operating receipts	97,148	118,504	13,383
Operating disbursements:			
Business type activities	84,954	39,476	13,129
Excess (deficiency) of operating receipts over (under) operating disbursements	12,194	79,028	254
Non-operating receipts (disbursements):			
Interest on investments	237	29	-
Debt service	-	(65,503)	-
Total non-operating receipts (disbursements)	237	(65,474)	-
Excess (deficiency) of operating receipts over (under) operating disbursements	12,431	13,554	254
Operating transfers in (out)	(15,318)	(189,523)	-
Net change in cash balances	(2,887)	(175,969)	254
Cash balances beginning of year	(49,414)	316,936	14,983
Cash balances end of year	\$ (52,301)	140,967	15,237
Cash Basis Fund Balances			
Restricted for debt service	\$ -	140,967	-
Unrestricted	(52,301)	-	15,237
Total cash basis fund balances	\$ (52,301)	140,967	15,237

See notes to financial statements

Funds	
WIFI	Total
67,229	289,789
-	6,475
67,229	296,264
106,562	244,121
(39,333)	52,143
-	266
-	(65,503)
-	(65,237)
(39,333)	(13,094)
198,111	(6,730)
158,778	(19,824)
(158,778)	123,727
-	103,903
-	140,967
-	(37,064)
-	103,903

City of Tabor
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Tabor is a political subdivision of the State of Iowa located in Fremont and Mills Counties, and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water, sewer and landfill utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Tabor has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Fremont County Landfill Association, Mills and Fremont Counties Assessor's Conference Boards, Mills and Fremont Counties Emergency Management Commissions, and Mills and Fremont Counties 911 Service Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Tabor
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Tabor
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

The City reports the following major governmental funds - Continued:

The Local Option Sales Tax Fund is used to account for local option sales tax received by the City.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Landfill Fund accounts for the collection and payment of garbage collection services.

The Enterprise, WIFI Fund accounts for the collection and payment of WIFI internet services.

C. Measurement Focus and Basis of Accounting

The City of Tabor maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Tabor
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies – Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, and general government functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Fremont County and Mills County Treasurer's Offices. These taxes are recognized as income to the City when they are received from the county.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Tabor
Notes to Financial Statements
June 30, 2012

(2) Cash and Pooled Investments - Continued

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$291,724 at June 30, 2012.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 60,000	\$ 5,640
2014	63,000	3,840
2015	65,000	1,950
	<u>\$ 188,000</u>	<u>11,430</u>

The Code of Iowa requires principal and interest on general obligation debt to be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,776,189 which was not exceeded during the year ended June 30, 2012.

The resolutions providing for the issuance of the revenue notes include the following provisions.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,000,000 in sewer revenue notes issued in August 1994. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2015. Annual principal and interest payments on the notes are expected to require less than 75 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$199,430. For the current year, principal and interest paid and total customer net receipts were \$65,380 and \$79,028, respectively.

City of Tabor
Notes to Financial Statements
June 30, 2012

(3) Bonds and Notes Payable – Continued

The resolutions for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a sewer revenue reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated.
- (d) Additional monthly transfers of \$1,500 a month to a sewer replacement account within the Enterprise Funds through the maturity of the notes. This account is restricted for the purpose of paying for improvements to the system.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2012 was \$12,935, equal to the required contribution for the year.

In June 1988, the City adopted a non-qualified retirement plan through Allianz Insurance Company. The plan is a flexible premium annuity.

For any employee who works at least 1,000 hours during the year, the City will pay the employee's annual premium of \$700. Additional contributions by employees are voluntary. Each employee shall be vested for 20% of the City's contribution after the first year, with 100% vesting upon completion of the sixth year of continuous participation.

During the period ending June 30, 2012, the City had four employees participating in this plan. The City's total contribution for the year ended June 30, 2012, was \$2,800. This contribution represents approximately 2% of the City's covered payroll.

City of Tabor
Notes to Financial Statements
June 30, 2012

(5) Compensated Absences

City employees accumulate sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. No accumulation of vacation days is allowed. The City's approximate liability for earned compensated absences payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$ <u>20,572</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 4 active and no retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$632 for single coverage and \$1,208 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, there were no plan members eligible for benefits.

In addition, the City finances a medical reimbursement program to pay the employee's deductible and the 20% co-payment amount on insurance approved charges. During the current period, the City paid out a total of approximately \$27,950 in approved medical expenses.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General:	Special Revenue:	
	Local Option Sales Tax	\$ 78,118
	Enterprise:	
	Sewer	24,682
	Water	15,318
		<u>40,000</u>
Enterprise:	Enterprise:	
WIFI	Sewer	198,111
Sewer	General	33,270
		\$ <u>349,499</u>

City of Tabor
Notes to Financial Statements
June 30, 2012

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Wi-Fi Internet Service

The City entered into a contract during 2009 to offer a Wi-Fi Internet Network at 1.5 mega bytes per second at no cost to the user. Users have the ability to upgrade to faster speeds for a monthly fee of \$26.99. The City terminated the Wi-Fi Internet Network Service during 2012.

(10) Deficit Balance

The Water Fund had a deficit balance of \$52,301 at June 30, 2012. The deficit balance was a result of previous project costs incurred prior to availability of funds. The deficit will be eliminated by increasing rates to users.

Other Information

City of Tabor
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 159,887	-	159,887
Other city tax	80,502	-	80,502
Licenses and permits	175	-	175
Use of money and property	3,720	266	3,986
Intergovernmental	131,114	-	131,114
Charges for service	115,745	289,789	405,534
Miscellaneous	25,046	6,475	31,521
Total receipts	<u>516,189</u>	<u>296,530</u>	<u>812,719</u>
Disbursements			
Public safety	250,401	-	250,401
Public works	164,433	-	164,433
Culture and recreation	63,268	-	63,268
Community and economic development	-	-	-
General government	76,832	-	76,832
Business type activities	-	244,121	244,121
Total disbursements	<u>554,934</u>	<u>244,121</u>	<u>799,055</u>
Excess (deficiency) of receipts over (under) disbursements	(38,745)	52,409	13,664
Other financing sources (uses), net	<u>6,730</u>	<u>(72,233)</u>	<u>(65,503)</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements and other financing sources (uses)	(32,015)	(19,824)	(51,839)
Balances beginning of year	<u>219,836</u>	<u>123,727</u>	<u>343,563</u>
Balances end of year	\$ <u>187,821</u>	<u>103,903</u>	<u>291,724</u>

See accompanying independent auditors' report

Budgeted Amounts		Final to
Original	Final	Net Variance
157,804	157,804	2,083
88,646	88,646	(8,144)
780	780	(605)
10,000	10,000	(6,014)
90,000	90,000	41,114
427,000	427,000	(21,466)
6,500	6,500	25,021
780,730	780,730	31,989
199,439	239,439	(10,962)
167,546	167,546	3,113
47,698	47,698	(15,570)
3,500	3,500	3,500
74,563	74,563	(2,269)
349,487	349,487	105,366
842,233	882,233	83,178
(61,503)	(101,503)	(115,167)
-	40,000	105,503
(61,503)	(61,503)	(9,664)
246,757	246,757	(96,806)
185,254	185,254	(106,470)

City of Tabor
Notes to Other Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented in accordance with *Governmental Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. The City of Tabor's functions are: public safety, public works, culture and recreation, economic development, general government, debt service, capital projects, business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$40,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, and general government functions.

Supplementary Information

City of Tabor
Schedule of Indebtedness
Year ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Revenue notes: Sewer	08/10/1994	3.00%	\$ 1,000,000

See accompanying independent auditors' report

<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
246,000	-	58,000	188,000	7,380	-

City of Tabor
Bond and Note Maturities
June 30, 2012

Year Ending June 30,	Revenue Notes	
	Interest Rate	Amount
2013	3.00 %	\$ 60,000
2014	3.00 %	63,000
2015	3.00 %	<u>65,000</u>
	-	
Total		\$ <u>188,000</u>

See accompanying independent auditors' report

City of Tabor



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

August 28, 2012

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tabor, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 28, 2012. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Tabor is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Tabor's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Tabor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Tabor's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

Continued...

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

City of Tabor
Report on Compliance and Internal Control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Tabor's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12 through I-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-C-12 and I-D-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tabor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Tabor's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Tabor's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Tabor and other parties to whom the City of Tabor may report including. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Tabor during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

City of Tabor
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-12 Record of Accounts – The Library maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

Response – We will attempt to comply with these recommendations and will bring them to the attention of the Library Board.

Conclusion – Response accepted.

City of Tabor
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements - Continued:

- I-C-12 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits.

Response – We will attempt to implement these procedures.

Conclusion – Response accepted.

- I-D-12 Ambulance Billing – Ambulance billings, collection and delinquent accounts were not reconciled during the year. Current bills and monthly statements were not prepared on a regular basis.

Recommendation – Procedures should be established to reconcile billings and collections on a monthly basis. Procedures should be established to bill customers on a timely basis and to follow up with statements for those who are delinquent. Ambulance collections should be reconciled to deposits.

Response – We will attempt to implement these procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Tabor
Schedule of Findings
Year ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the public safety, culture and recreation, and general government functions. Chapter 384.20 of the Code of Iowa states in part that “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”II-C-04

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do this in the future.

Conclusion – Response accepted.

- II-B-12 Questionable Disbursements – We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

- II-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-12 Business Transactions – No business transactions were noted between the City and City officials or employees.

- II-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes for Council proceedings were published as required, gross salaries were not published in accordance with Chapter 372.13 of the Code of Iowa and an Attorney General’s opinion dated April 12, 1978.

Recommendation – The Council should monitor procedures to ensure the gross salaries are published as required.

Response – We will make sure salaries are published in the future.

Conclusion – Response accepted.

- II-G-12 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, and the City’s investment policy.

City of Tabor
Schedule of Findings
Year ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting - Continued:

II-H-12 Revenue Note – The City has complied with the revenue note resolutions.

II-I-12 Financial Condition

Comment – The Water Fund had a deficit balances at June 30, 2012.

Recommendation – The City should monitor activity in this fund in order to eliminate the deficit.

Response – We will do this.

Conclusion – Response accepted.